

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508

USTR Press Releases are available on the USTR home page at WWW.USTR.GOV.
They are also available through the USTR Fax Retrieval System at 202-395-4809.

FOR IMMEDIATE RELEASE
Tuesday, December 23, 1997

97- 113
Contact: Jay Ziegler
Kirsten Powers
Christine Wilkas
(202) 395-3230

**U.S. TRADE REPRESENTATIVE ANNOUNCES FAVORABLE DECISION
FOR UNITED STATES IN WTO DISPUTE WITH INDIA**

United States Trade Representative Charlene Barshefsky today announced that the Appellate Body of the WTO had ruled in favor of the United States in its case against India regarding India's failure to provide intellectual property rights protection as required by the WTO Agreement. This case is the first intellectual property rights dispute decided by the Appellate Body.

"The Appellate Body's decision sets an important precedent for the enforcement of U.S. intellectual property rights, and represents a significant victory for U.S. pharmaceutical and agricultural chemical companies," said Ambassador Barshefsky. "The decision serves notice that all WTO members, including developing countries, must carry out their obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). There is no free-ride under TRIPS."

In the TRIPS Agreement, developing countries that did not provide patent protection for pharmaceutical and agricultural chemicals were given a ten year transition period to establish such protection. In the interim, however, these countries are required to establish a "mailbox" system to receive and date patent applications. When patent protection is ultimately provided for pharmaceuticals and agricultural chemicals in these countries, all mailbox patent applications must be examined based on their filing and priority dates. For an invention to receive patent protection, it must generally be new, involve an inventive step, and be capable of industrial application. The mailbox system is designed to preserve the novelty of inventions and priority of applications during the transition period. The TRIPS Agreement also requires that countries grant exclusive marketing rights to certain products that are subject to mailbox applications.

The WTO panel that considered this case ruled in favor of the United States on September 5, 1997, and India subsequently appealed the case to the Appellate Body. In its decision, the Appellate Body upheld the Panel's findings that India failed to comply with its obligations under

the TRIPS Agreement to establish a “mailbox system” and a procedure for granting exclusive marketing rights for pharmaceutical and agricultural chemical products.

According to the Appellate Body, the mailbox system required by the TRIPS Agreement must have a “sound legal basis.” The Appellate Body rejected India’s argument that unpublished, administrative instructions were sufficient to establish a legally valid mailbox. In addition, the Appellate Body found that as of January 1, 1995, India was required to have a legal mechanism “ready” to grant exclusive marketing rights to qualifying products, and that India had not established such a system. The Appellate Body’s report confirms that all developing countries must fully and immediately implement the mailbox and exclusive marketing rights obligations of the TRIPS Agreement.

The Appellate Body’s report will be adopted at a special meeting of the WTO Dispute Settlement Body in Geneva on January 16, 1998.

Background

On July 2, 1996, the United States requested WTO dispute consultations with India regarding India’s lack of compliance with Articles 70.8 and 70.9 of the TRIPS Agreement. Article 70.8 requires India to establish the mailbox system for patent applications. Article 70.9 requires India to grant exclusive marketing rights to certain products subject to mailbox applications. After the consultations, the United States requested the establishment of a panel to hear the dispute. The Panel issued its report on September 5, 1997, and found India in violation of Articles 70.8, 70.9 and 63 of the TRIPS Agreement.

India appealed the Panel’s decision on October 15, 1997, and a hearing was held before the Appellate Body in Geneva on November 4, 1997. The Appellate Body’s report upholds the Panel’s findings with respect to Articles 70.8 and 70.9 of the TRIPS Agreement, and holds that the Panel did not have jurisdiction to consider the Article 63 claim.

The European Community (EC) has filed its own case against India on the same issues presented by the United States. The EC’s case will proceed through the panel process in the coming months, and the United States will participate as a third party in those proceedings.

The successful resolution of this case follows the successful resolution of a similar case brought by the United States against Pakistan last year. In that case, the United States also alleged that Pakistan had not implemented the mailbox and exclusive marketing rights provisions of the TRIPS Agreement. The Pakistan case was successfully settled in February 1997, after the President of Pakistan issued an ordinance bringing the country into compliance with Articles 70.8 and 70.9 of the TRIPS Agreement.